

A golden opportunity



John F. McDonnell

Solo-practice owners have an opportunity to have the peace of mind that comes with having a transition plan in place as early as possible. They can implement a plan that allows them to increase profits to properly fund retirement plan; and, most importantly, create a healthy practice involvement with less stress and more time off.

Many are calling the decade of 2000-2010 the second Golden Age of Dentistry. The first occurred in the '50s and '60s. Because of the booming post-war economy and improved dental materials, consumers increased their utilization of dental services.

The second Golden Age has been created by the aging of the baby boomers, the evolution of dental materials and technology, the long economic boom, and the growing acceptance of cosmetic dentistry.

The following factors define this opportunity and also create a sense of urgency:

- 75 percent of dentists are solo-practice owners.
- The majority of solo-practice owners do not have a written transition strategy and agreement

with an heir-apparent.

- There is a shortage of dental and hygiene graduates.
- By 2001, the number of baby-boomer dentists retiring will equal the number of dentists graduating.

To take advantage of the current golden-age opportunity, I encourage every solo-practice owner to create and implement a plan immediately. The plan must include the following components:

1 Tax planning

It is imperative to have excellent historical and future tax planning to prepare for a future transition. We often find that clients choose "friends" rather than experts to do their taxes. A tax return is the least important part of good tax advice. Engage a quality tax-planning firm that is familiar with dental practices.

2 Financial planning

Only 5 percent of dentists are prepared for retirement by age 62. Only 5 percent of dentists have a written financial plan. We encourage a commitment to a full financial plan that is part of your overall strategic plan. If you have been unable to fund your retirement plan, healthy methods are available to you that include taking advantage of the equity in your practice. If you have substantial debt in the practice, this should be consolidated and integrated with your financial plan.

3 Practice enhancement

Only 12 percent of dentists use the services of a practice-management

company. This 12 percent normally continues the use of the service throughout the life of the practice. I encourage the utilization of a quality practice-management firm to allow your practice to grow. This growth is necessary to prepare for an associate heir-apparent. The management plan needs to be coordinated with the financial and strategic plan to have the greatest impact. One of the greatest fears of the solo-practice owner is the possible loss of income when an associate heir-apparent is introduced to the practice. When planned for properly, the addition of an associate will increase profits a minimum of 25 percent. This additional income can be used to fund the owner's retirement plan.

4 Strategic plan

Dentistry is a business. Businesses that are successful have a strategic plan. You need a strategic and operational plan for your business. The plan must be shared with all employees. It requires monthly monitoring, an integrated transition strategy informed by the practice enhancement, tax and financial plan. We encourage the use of a strategic coach to mentor and guide the dentist.

When you implement this plan, you will have the peace of mind that your transition is in place. If you choose not to implement a plan, the future will be unclear and stressful. You have a golden opportunity!

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